



**UMSHWATHI MUNICIPALITY**  
(KZN221)

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2015**

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## **GENERAL INFORMATION**

**SPEAKER OF COUNCIL** : Cllr. N.M.N. Gabela

### **MEMBERS OF THE EXECUTIVE COMMITTEE**

|            |              |   |                          |
|------------|--------------|---|--------------------------|
| Councillor | B.M. Gwala   | : | Mayor, Exco. Chairperson |
| Councillor | S.S. Zondi   | : | Deputy Mayor             |
| Councillor | M.J. Mkhize  | : | Exco Member              |
| Councillor | A.T. Thusi   | : | Exco Member              |
| Councillor | V.M. Mncwabe | : | Exco Member              |

### **CATEGORY OF LOCAL AUTHORITY**

CATEGORY TWO (2)

### **AUDITORS**

AUDITOR-GENERAL SOUTH AFRICA

### **BANKERS**

FIRST NATIONAL BANK

### **REGISTERED OFFICE**

Main Road  
New Hanover  
3230

### **TELEPHONE**

033 - 8152249

### **MUNICIPAL MANAGER**

Mr. N.M. Mabaso

### **CHIEF FINANCIAL OFFICER**

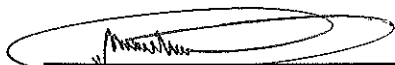
Mr. R.M. Mani

## MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

|                     |   |                              |
|---------------------|---|------------------------------|
| PR                  | : | Cllr. N.M.N. Gabela          |
| PR                  | : | Cllr. S.J. Luthuli           |
| PR                  | : | Cllr. R. Mungroo             |
| PR                  | : | Cllr. N.R. Khanyile          |
| PR                  | : | Cllr. N.A. Thusi             |
| PR                  | : | Cllr. N.P. Mdunge            |
| PR                  | : | Cllr. T.A. Hlatwayo          |
| PR                  | : | Cllr. M.M. de Vries          |
| PR                  | : | Cllr. V.M. Mncwabe           |
| PR                  | : | Cllr. Z.A. Thusi             |
| PR                  | : | Cllr. N.H. Hlophe            |
| PR                  | : | Cllr. T.I. Gabela            |
| PR                  | : | Cllr. N.L. Shabangu          |
| W1                  | : | Cllr. M.P. Dlamini           |
| W2                  | : | Cllr. P.M. Dladla            |
| W3                  | : | Cllr. S.S. Mbhele            |
| W4                  | : | Cllr. G.S. Maseko            |
| W5                  | : | Cllr. G.H. Ngcobo            |
| W6                  | : | Cllr. S.R.G. Gumede          |
| W7                  | : | Cllr. S.M. Mbatha-Ntuli      |
| W8                  | : | Cllr. B.M. Gwala             |
| W9                  | : | Cllr. E.B. Mbongwe           |
| W10                 | : | Cllr. M.J. Mkhize            |
| W11                 | : | Cllr. A.T. Thusi             |
| W12                 | : | Cllr. S.A. Duma              |
| W13                 | : | Cllr. M. Goba                |
| <b>MAYOR</b>        | : | <b>Councillor B.M. Gwala</b> |
| <b>DEPUTY MAYOR</b> | : | <b>Councillor S.S. Zondi</b> |

## APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 18 to 53 were approved by the Municipal Manager on 31 August 2015 and presented to and approved by Council on 31 August 2015.



**MUNICIPAL MANAGER**  
(Accounting Officer)  
31 August 2015



**CHIEF FINANCIAL OFFICER**

31 August 2015

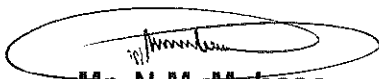
## **Accounting Officer's Report**

As the accounting officer of uMshwathi Local Municipality, I am proud to present herewith the annual financial statement for the period ending 30 June 2015.

It is my view that the Annual financial statements fairly present the true financial position of the municipality and all the records to support the same are available for inspection.

I am of the opinion that based on the information provided to me by management and internal audit the systems of internal control provides reasonable assurance that the financial records may be relied upon for the preparation and submission of these annual financial statements.

I have reviewed the Municipality's cash forecast for the year ending 30 June 2015 and in light of this review and the current financial position I am satisfied that the Municipality has access to adequate resources to fulfil all its obligations as required by various provisions of legislations.



**Mr. N.M. Mabaso**  
**Municipal Manager**

**Date: 31 August 2015**

**uMSHWATHI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

## **1. BASIS OF PRESENTATION**

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

|          |   |
|----------|---|
| GRAP 1   | Presentation of Financial Statements                            |
| GRAP 2   | Cash Flow Statements  |
| GRAP 3   | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 5   | Borrowing Costs   |
| GRAP 9   | Revenue   |
| GRAP 13  | Leases  |
| GRAP 14  | Events after Balance Sheet Date                                 |
| GRAP 17  | Property, Plant and Equipment                                   |
| GRAP 19  | Provisions, Contingent Liabilities and Contingent Asset         |
| GRAP 21  | Impairment of Non-cash-generating Assets                        |
| GRAP 23  | Revenue from Non-exchange Transactions (Taxes and Transfers)    |
| GRAP 24  | Presentation of Budget Information in the Financial Statements  |
| GRAP 25  | Employee Benefits   |
| GRAP 31  | Intangible Assets   |
| GRAP 104 | Financial Instruments.  |

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

GRAP statements 4, 6, 7, 8, 10, 11, 12, 16, 27, 100, 101 and 103 have not been implemented since they do not affect the operations of the municipality.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

## **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**5. RESERVES**

**5.1 *Revaluation Reserve***

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

**6. ASSETS**

**6.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.



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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

|                       | YEAR | OTHER                              | YEARS   |
|-----------------------|------|------------------------------------|---------|
| <b>Infrastructure</b> |      |                                    |         |
| Roads and Paving      | 30   | Air Conditioners                   | 5 to 10 |
|                       |      | Other Vehicles                     | 5       |
| Electricity           | 20   | Office equipment                   | 5 to 10 |
|                       |      | Furniture and Fitting              | 5 to 10 |
| Street Lights         | 25   | Other items of plant and equipment | 5       |
|                       |      | Computers and Computer Software    | 5       |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revaluation reserve.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

## **6.2 INTANGIBLE ASSETS**

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over a period of three years. Intangible assets are disclosed at cost less amortization in the financial statements.

## **7. FINANCIAL INSTRUMENTS**

The fair value of financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

### **7.1 ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

### **7.2 TRADE CREDITORS**

Trade creditors are stated at their nominal value.

### **7.3 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**8. INVENTORIES**

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

**9. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

**10. REVENUE RECOGNITION**

***10.1 Revenue from exchange transactions***

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
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**10.2 Revenue from non-exchange transactions**

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

**11. CONDITIONAL GRANT AND RECEIPTS**

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

**12. PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
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Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

### **13 LEASES**

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

## **14. IMPAIRMENT OF ASSETS**

### **14.1 Cash Generating Assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

#### **Identification**

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible

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asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

**Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is charged against the Revaluation Reserve to the extent to a previous revaluation surplus.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash

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generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

**UMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**Reversal of an impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised against the Revaluation Reserve.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
- The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.



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**Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

**Non-Cash-Generating Assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

**Identification**

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**uMSHWATHI MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
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**Reversal of an impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Re-designation**

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

## **15. EMPLOYEE BENEFITS**

### **15.1 Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;

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- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus; incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

**15.2 Post-employment benefits: Defined contribution plans**

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

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- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

## **16. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **17. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **18. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **19. COMPARATIVE INFORMATION**

### **19.1 *Current Year Comparatives***

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

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**19.2 Prior Year Comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

**20. RELATED PARTIES**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

**UMSHWATHI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

|   | Note  | 2015<br>R              | 2014<br>R            |
|---|-------|------------------------|----------------------|
| <b>ASSETS</b>                                       |       |                        |                      |
| <b>Non - current assets</b>                         |       |                        |                      |
| Property, plant and equipment                       | 6     | 163,876,581            | 135,161,603          |
| Intangible Assets                                   | 7     | 163,480,160<br>396,421 | 135,161,603<br>0     |
| <b>Current assets</b>                               |       |                        |                      |
| Receivables: Non-Exchange Transactions              | 8     | 91,882,151             | 73,107,199           |
| Receivables: Exchange Transactions                  | 8     | 36,944,321             | 33,362,621           |
| Other debtors                                       | 9     | 40,236,420             | 27,942,052           |
| Value added tax                                     | 5     | 2,525,710              | 2,543,861            |
| Call investment deposits                            | 10    | 6,496,773              | 3,789,134            |
| Bank balances and cash                              | 11/21 | 5,150,866<br>528,061   | 4,746,605<br>722,926 |
| <b>Total Assets</b>                                 |       | <b>255,758,733</b>     | <b>208,268,802</b>   |
| <b>Non - current liabilities</b>                    |       |                        |                      |
| Long term liabilities                               | 2     | 10,938,826             | 15,764,011           |
| Finance Lease Obligation                            | 2     | 10,139,012             | 14,730,238           |
| Non-current portion of Long Service Award Liability | 3.1   | 159,469<br>640,345     | 295,078<br>738,695   |
| <b>Current liabilities</b>                          |       |                        |                      |
| Creditors   | 3     | 11,710,809             | 10,303,888           |
| Current portion of Finance Lease Obligation         | 2     | 7,836,754              | 7,853,704            |
| Current portion of Long Service Award Liability     | 3.1   | 132,066                | 119,460              |
| Unspent conditional grants and receipts             | 4     | 216,446                | 18,531               |
| Current portion of long term liabilities            | 2     | 0<br>3,525,543         | 0<br>2,312,193       |
| <b>Total Liabilities</b>                            |       | <b>22,649,634</b>      | <b>26,067,899</b>    |
| <b>Net Assets</b>                                   |       | <b>233,109,099</b>     | <b>182,200,903</b>   |
| <b>NET ASSETS</b>                                   |       |                        |                      |
| <b>Net assets</b>                                   |       |                        |                      |
| Housing Development Fund                            | 1     | 233,109,099            | 182,200,903          |
| Revaluation Reserve                                 |       | 2,816,730              | 2,818,678            |
| Accumulated surplus                                 |       | 4,614,902              | 4,614,902            |
|   |       | 225,677,468            | 174,767,323          |
|   |       | <b>233,109,099</b>     | <b>182,200,903</b>   |

**uMSHWATHI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

| <b>BUDGET</b>                                 |                    | <b>Note</b> | <b>ACTUAL</b>      |                    |
|---|--------------------|-------------|--------------------|--------------------|
| <b>2014<br/>R</b>                             | <b>2015<br/>R</b>  |             | <b>2015<br/>R</b>  | <b>2014<br/>R</b>  |
| <b>REVENUE</b>                                |                    |             |                    |                    |
| <b>Revenue from Non-Exchange Transactions</b> |                    |             |                    |                    |
| 23,300,000                                    | 25,500,000         | 12          | 26,440,810         | 23,899,302         |
| 1,000,000                                     | 1,600,000          |             | 1,700,128          | 1,325,643          |
| 800,000                                       | 750,000            |             | 1,021,014          | 846,781            |
| 7,500,000                                     | 11,000,000         |             | 12,781,975         | 8,179,537          |
| 51,000  | 101,000            |             | 71,119             | 59,707             |
| 65,740,000                                    | 76,922,000         | 14          | 73,922,000         | 65,775,000         |
| 22,376,000                                    | 31,279,000         |             | 34,129,000         | 18,888,000         |
| <b>120,767,000</b>                            | <b>147,152,000</b> |             | <b>150,066,046</b> | <b>118,973,970</b> |
| <b>Revenue from Exchange Transactions</b>     |                    |             |                    |                    |
| 1,800,000                                     | 1,850,000          | 13          | 1,832,570          | 1,801,290          |
| 200,000                                       | 280,000            |             | 398,016            | 199,718            |
| 2,150,000                                     | 2,100,000          |             | 2,445,793          | 2,362,036          |
| 134,000                                       | 106,000            | 15          | 286,935            | 367,633            |
| <b>4,284,000</b>                              | <b>4,336,000</b>   |             | <b>4,963,314</b>   | <b>4,730,677</b>   |
| <b>125,051,000</b>                            | <b>151,488,000</b> |             | <b>155,029,360</b> | <b>123,704,647</b> |
| <b>EXPENDITURE</b>                            |                    |             |                    |                    |
| 37,625,000                                    | 48,866,000         | 16          | 46,151,277         | 37,642,745         |
| 8,059,000                                     | 8,020,000          | 17          | 7,651,337          | 7,366,082          |
| 100,000                                       | 200,000            |             | 0                  | 112,658            |
| 7,350,000                                     | 8,500,000          | 6           | 8,323,848          | 6,715,960          |
| 9,333,000                                     | 13,480,000         |             | 9,094,379          | 6,946,558          |
| 2,750,000                                     | 2,750,000          | 18          | 1,569,658          | 1,838,540          |
| 10,496,500                                    | 13,037,000         | 23.6        | 11,858,116         | 11,367,433         |
| 15,819,500                                    | 18,006,000         | 23.6        | 15,527,671         | 14,882,967         |
| 200,000                                       | 500,000            |             | 3,942,931          | 112,271            |
| 33,318,000                                    | 0                  |             | 0                  | 0                  |
| <b>125,051,000</b>                            | <b>113,359,000</b> |             | <b>104,119,218</b> | <b>86,985,214</b>  |
| <b>-</b>                                      | <b>38,129,000</b>  |             | <b>50,910,142</b>  | <b>36,719,433</b>  |

Refer to Appendix E .1 for explanation of variances



uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

|  | Housing<br>Development<br>Fund<br>R | Revaluation<br>Reserve<br>R | Accumulated<br>Surplus<br>R | Total<br>R         |
|--|-------------------------------------|-----------------------------|-----------------------------|--------------------|
| <b>Balance as per 30 June 2013</b>         | 2,823,670                           | 4,614,902                   | 138,805,109                 | <b>146,243,681</b> |
| Surplus - (deficit) for the year           | (4,992)                             | 0                           | 36,719,440                  | 36,714,448         |
| Prior Year Adjustment                      | 0                                   | 0                           | (757,226)                   | (757,226)          |
| <b>Original Balance as at 30 June 2014</b> | <b>2,818,678</b>                    | <b>4,614,902</b>            | <b>174,767,323</b>          | <b>182,200,903</b> |
| Surplus for the year                       | (1,948)                             | 0                           | 50,910,144                  | 50,908,196         |
| <b>Balance as at 30 June 2015</b>          | <b>2,816,730</b>                    | <b>4,614,902</b>            | <b>225,677,468</b>          | <b>233,109,100</b> |

**UMSHWATHI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

|  | Note | 2015<br>R           | 2014<br>R           |
|--|------|---------------------|---------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                   |      |                     |                     |
| <b>Receipts</b>  |      |                     |                     |
| Sales of Goods and Services                                  |      | 22,740,609          | 26,188,060          |
| Grants   |      | 73,922,000          | 65,775,000          |
| Interest Received  |      | 1,021,014           | 846,781             |
| Other Receipts   |      | 34,129,000          | 18,888,000          |
|  |      | <b>131,812,623</b>  | <b>111,697,841</b>  |
| <b>Payments</b>  |      |                     |                     |
| Employee Costs   |      | 53,802,614          | 45,008,827          |
| Suppliers  |      | 36,480,166          | 33,309,616          |
| Interest Paid  |      | 1,569,658           | 1,838,540           |
|  |      | <b>91,852,438</b>   | <b>80,156,983</b>   |
|  |      | <b>39,960,185</b>   | <b>31,540,858</b>   |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>             |      |                     |                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |      |                     |                     |
| Purchase of property, plant and equipment                    | 6    | (36,642,405)        | (24,544,844)        |
| Purchase of Software   | 7    | (396,421)           | 0                   |
| Investments redeemed/acquired                                |      | 404,261             | (725,844)           |
|  |      | <b>(36,634,565)</b> | <b>(25,270,688)</b> |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>            |      |                     |                     |
| <b>CASH FLOWS FROM FROM FINANCING ACTIVITIES</b>             |      |                     |                     |
| Repayment of external loans                                  |      | (3,377,876)         | (5,837,090)         |
| Repayment of finance lease obligations                       |      | (142,610)           | (142,610)           |
|  |      | <b>(3,520,486)</b>  | <b>(5,979,700)</b>  |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                    |      |                     |                     |
| <b>NET (DECREASE ) INCREASE IN CASH AND CASH EQUIVALENTS</b> |      |                     |                     |
|  |      | <b>(194,866)</b>    | <b>290,470</b>      |
| Cash and cash equivalents at the beginning of the year       | 21   | 722,925             | 432,453             |
| Cash and cash equivalents at the end of the year             |      | 528,060             | 722,925             |
|  |      | <b>(194,866)</b>    | <b>290,470</b>      |

Statement of Comparison of Budget and Actual Amounts

| Prior Year Actual  | Details                  | Original Budget    | Adjustments (\$ 28) | Final Budget       | Actual             | Variance           | Comments  |
|--------------------|--------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|---|
| <b>Revenue</b>     |                          |                    |                     |                    |                    |                    |   |
| 23,899,302         | Property Rates           | 21,500,000         | 4,000,000           | 25,500,000         | 26,440,810         | 940,810            | The increase in rates was due to the implementation of the supplementary valuation roll after the adjustments budget              |
| 1,801,290          | Service Charges          | 1,950,000          | (100,000)           | 1,850,000          | 1,832,570          | (17,430)           |   |
| 846,781            | Investment Revenue       | 800,000            | (50,000)            | 750,000            | 1,021,014          | 271,014            | Grant funds were invested for a longer period and the municipality received an additional 5.4 million rand for the MIG allocation |
| 65,775,000         | Grants: Operational      | 73,922,000         | 0                   | 73,922,000         | 73,922,000         | 0                  |   |
| 12,476,652         | Other Revenue            | 39,805,000         | 9,661,000           | 49,466,000         | 51,812,966         | 2,346,966          | The main increase in other revenue is due to the increase in interest on arrear debt  |
| <b>104,799,025</b> |                          | <b>137,977,000</b> | <b>13,511,000</b>   | <b>151,488,000</b> | <b>155,029,360</b> | <b>3,541,360</b>   |   |
| <b>Expenditure</b> |                          |                    |                     |                    |                    |                    |   |
| 37,642,745         | Employee Costs           | 43,076,000         | 5,790,000           | 48,866,000         | 46,151,277         | (2,714,723)        | Certain budgeted posts were not filled during the year  |
| 7,366,082          | Councillor Allowances    | 8,020,000          | 0                   | 8,020,000          | 7,651,337          | (368,663)          | The approved increase for councillors was lower than budgeted for   |
| 6,702,736          | Depreciation             | 9,000,000          | (500,000)           | 8,500,000          | 8,323,848          | (176,152)          | The budget for depreciation was over estimated.   |
| 1,838,541          | Interest Paid            | 2,750,000          | 0                   | 2,750,000          | 1,569,658          | (1,180,342)        | The budget for finance charges also included the repayment of capital   |
| 6,946,558          | Repairs and Maintenance  | 13,480,000         | 0                   | 13,480,000         | 9,094,379          | (4,385,621)        | Maintenance work budgeted for the current year was not completed and carried over to the next financial year                      |
| 26,363,058         | Other Expenditure        | 28,753,000         | 1,740,000           | 30,493,000         | 27,385,787         | (3,107,213)        | Certain expenditure that was budgeted for were not incurred.  |
| 112,271            | Contribution to Reserves | 200,000            | 1,050,000           | 1,250,000          | 3,942,931          | 2,692,931          | Additional provision to be provided was more than anticipated   |
|                    | Contribution to Capital  | 32,698,000         | (32,698,000)        | 0                  | 0                  | 0                  |   |
| <b>86,971,991</b>  |                          | <b>137,977,000</b> | <b>(24,618,000)</b> | <b>113,359,000</b> | <b>104,119,218</b> | <b>(9,239,782)</b> |   |
| <b>17,827,034</b>  | <b>Surplus</b>           | <b>0</b>           | <b>38,129,000</b>   | <b>38,129,000</b>  | <b>50,910,142</b>  | <b>12,781,142</b>  |   |

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**      **2014**  
**R**           **R**

**1 HOUSING DEVELOPMENT FUND**

Housing Development Fund  
Unappropriated Surplus  
Loans extinguished by Government on 1 April 1998

|                  |                  |
|------------------|------------------|
| 2,816,730        | 2,818,678        |
| <u>2,816,730</u> | <u>2,818,678</u> |

The Housing Development Fund is represented by the following assets and liabilities

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Housing rental and instalment debtors | 1,925,734 | 1,925,734 |
| Debtors - Department of Housing       | 165,332   | 165,332   |
| Bank and cash                         | 727,612   | 727,612   |
| Sub - total                           | 2,818,678 | 2,818,678 |
| Creditors                             |           |           |

Total Housing Development Fund Assets and Liabilities

|                  |                  |
|------------------|------------------|
| <u>2,818,678</u> | <u>2,818,678</u> |
|------------------|------------------|

**2 LONG TERM LIABILITIES**

Capitalised lease liability  
External loans  
Less current portion transferred to current liabilities

|                   |                   |
|-------------------|-------------------|
| 13,664,554        | 17,042,431        |
| <u>13,664,554</u> | <u>17,042,431</u> |
| -3,525,543        | -2,312,193        |
| <u>10,139,012</u> | <u>14,730,238</u> |

External loans are made up of loans from the Development Bank of SA and First National Bank as detailed in Appendix A

**Finance Lease Obligation**  
Minimum Lease Payment Due  
- within 1 year  
- within 2nd and 3rd year inclusive

|                 |                 |
|-----------------|-----------------|
| 157,386         | 157,344         |
| <u>170,502</u>  | <u>314,772</u>  |
| 327,888         | 472,116         |
| <u>(36,353)</u> | <u>(57,578)</u> |
| <u>291,535</u>  | <u>414,538</u>  |

Less future finance costs

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

Present Value of minimum lease payments  
 - within 1 year  
 - within 2nd and 5th year inclusive

| 2015<br>R      | 2014<br>R      |
|----------------|----------------|
| 132,066        | 119,460        |
| 159,469        | 295,078        |
| <u>291,535</u> | <u>414,538</u> |

The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance.  
 The leased asset, the Jeep Grand Cherokee, is included in Property Plant and equipment in Note 6

**Net Long Term Liabilities**

External Loans  
 Finance Lease Obligation

|                   |                   |
|-------------------|-------------------|
| 10,139,012        | 14,730,238        |
| 159,469           | 295,078           |
| <u>10,298,481</u> | <u>15,025,316</u> |

**3 CREDITORS**

Trade creditors  
 Staff leave  
 VAT on Debtors  
 National Lottery  
 Unallocated Receipts  
 Other creditors  
 Insurance Payment

|                  |                  |
|------------------|------------------|
| 2,995,576        | 3,755,934        |
| 2,622,938        | 2,402,894        |
| 198,471          | 186,339          |
| 144,979          | 144,979          |
| 72,254           | 0                |
| 1,440,132        | 1,363,559        |
| 362,404          | 0                |
| <u>7,836,754</u> | <u>7,853,705</u> |

**3.1 Provision for Long Service Award**

Non Current Liability for Long Service Award  
 Current Liability for Long Service Award

|                |                |
|----------------|----------------|
| 640,345        | 738,695        |
| 216,446        | 18,531         |
| <u>856,791</u> | <u>757,226</u> |

An actual valuation was done for the provision for Long Service Awards in terms of GRAP 25 and a liability raised accordingly.  
 The comparative amounts have been restated accordingly

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**4.1 Conditional grants from other spheres of government**

**Total conditional grants and receipts**

**MIG**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

|  |           |           |
|--|-----------|-----------|
|  | 2015<br>R | 2014<br>R |
|  | 0         | 0         |
|  | <u>0</u>  | <u>0</u>  |

**FMG**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

|  |              |              |
|--|--------------|--------------|
|  | 2015<br>R    | 2014<br>R    |
|  | 0            | 0            |
|  | 31,129,000   | 13,888,000   |
|  | (31,129,000) | (13,888,000) |
|  | <u>0</u>     | <u>0</u>     |

**MSIG**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

|  |           |           |
|--|-----------|-----------|
|  | 2015<br>R | 2014<br>R |
|  | 0         | 0         |
|  | 934,000   | 890,000   |
|  | (934,000) | (890,000) |
|  | <u>0</u>  | <u>0</u>  |

**DoE Funding**

Opening Balance  
 Received During the year  
 Expended During the year  
 Closing Balance

|  |             |             |
|--|-------------|-------------|
|  | 2015<br>R   | 2014<br>R   |
|  | 0           | 0           |
|  | 3,000,000   | 5,000,000   |
|  | (3,000,000) | (5,000,000) |
|  | <u>0</u>    | <u>0</u>    |

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|                          |                  |                  |
|--------------------------|------------------|------------------|
| General Grant            |                  |                  |
| Opening Balance          | 0                | 0                |
| Received During the year | 0                | 0                |
| Expended During the year | 0                | 0                |
| Closing Balance          | <b>0</b>         | <b>0</b>         |
| Housing Plan             |                  |                  |
| Opening Balance          | 0                | 0                |
| Received During the year | 0                | 0                |
| Expended During the year | 0                | 0                |
| Closing Balance          | <b>0</b>         | <b>0</b>         |
| <b>5 VAT</b>             |                  |                  |
| VAT refundable           | 6,496,773        | 3,789,134        |
|                          | <b>6,496,773</b> | <b>3,789,134</b> |

VAT is payable on the receipts/payment basis

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**6 PROPERTY, PLANT AND EQUIPMENT**

| Reconciliation of carrying value | Land and<br>Buildings | Infra-<br>structure | Furniture &<br>Equipment | Vehicles    | Machinery &<br>Tools | 2014<br>R    |
|----------------------------------|-----------------------|---------------------|--------------------------|-------------|----------------------|--------------|
| Carrying value at 1 July 2014    |                       |                     |                          |             |                      |              |
| Cost                             | 68,971,950            | 103,285,080         | 5,170,938                | 6,743,894   | 1,028,018            | 185,199,880  |
| Accumulated depreciation         |                       |                     |                          |             |                      |              |
| - Cost                           | (11,658,476)          | (32,131,476)        | (2,084,930)              | (2,900,926) | (1,262,469)          | (50,038,277) |
| Acquisitions                     | 57,313,474            | 71,153,604          | 3,086,008                | 3,842,967   | (234,450)            | 135,161,603  |
| Capital under construction       | 5,762,902             | 4,711,923           | 1,631,169                | 850,020     | 117,706              | 13,073,719   |
| Depreciation                     | 9,784,605             | 13,784,080          |                          |             |                      | 23,568,685   |
| - based on cost                  | (2,589,410)           | (3,811,636)         | (755,234)                | (1,049,862) | (117,706)            | (8,323,848)  |
| Carrying value at 30 JUNE 2015   |                       |                     |                          |             |                      |              |
| Cost                             | 84,519,457            | 121,781,083         | 6,802,107                | 7,593,914   | 1,145,724            | 221,842,285  |
| Accumulated depreciation         |                       |                     |                          |             |                      |              |
| - Cost                           | (14,247,886)          | (35,943,112)        | (3,074,614)              | (3,950,788) | (1,145,724)          | (58,362,125) |
|                                  | 70,271,571            | 85,837,971          | 3,727,493                | 3,643,126   | 0                    | 163,480,160  |



**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|                                  |                       |                     |                          |             |                      |              | 2015<br>R | 2014<br>R |
|----------------------------------|-----------------------|---------------------|--------------------------|-------------|----------------------|--------------|-----------|-----------|
|                                  | Land and<br>Buildings | Infra-<br>structure | Furniture &<br>Equipment | Vehicles    | Machinery &<br>Tools | Total        |           |           |
| Reconciliation of carrying value |                       |                     |                          |             |                      |              |           |           |
| Carrying value at 1 July 2013    |                       |                     |                          |             |                      |              |           |           |
| Cost                             | 68,796,303            | 80,908,770          | 3,377,999                | 6,707,696   | 864,267              | 160,655,036  |           |           |
| Accumulated depreciation         |                       |                     |                          |             |                      |              |           |           |
| - Cost                           | (9,411,754)           | (29,071,542)        | (2,084,930)              | (2,021,068) | (733,023)            | (43,322,318) |           |           |
| Acquisitions                     | 59,384,549            | 51,837,228          | 1,293,069                | 4,686,628   | 131,244              | 117,332,719  |           |           |
| Capital under construction       | 175,647               | 10,225,667          | 1,792,939                | 36,197      | 163,751              | 12,394,201   |           |           |
| Depreciation                     |                       | 12,150,643          |                          |             |                      | 12,150,643   |           |           |
| - based on cost                  | (2,246,722)           | (3,059,934)         | 0                        | (879,858)   | (529,446)            | (6,715,960)  |           |           |
| Carrying value at 30 JUNE 2014   |                       |                     |                          |             |                      |              |           |           |
| Cost                             | 68,971,950            | 103,285,080         | 5,170,938                | 6,743,894   | 1,028,018            | 185,199,880  |           |           |
| Accumulated depreciation         |                       |                     |                          |             |                      |              |           |           |
| - Cost                           | (11,658,476)          | (32,131,476)        | (2,084,930)              | (2,900,926) | (1,262,469)          | (50,038,277) |           |           |
|                                  | 57,313,474            | 71,153,604          | 3,086,008                | 3,842,967   | (234,450)            | 135,161,603  |           |           |

Note: Some fully depreciated furniture and equipment was still in use in the current year. Their useful lives will be assessed in the 2015/16 financial year and adjusted accordingly.  
Refer to Appendix B for more detail on property, plant and equipment

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|   | 2015<br>R         | 2014<br>R         |
|---|-------------------|-------------------|
| <b>Assets Under Construction:</b>       |                   |                   |
| D708                                    | 2,610,153         | 1,229,473         |
| Dumela Bridge                           | 0                 | 562,986           |
| D1006                                   | 589,125           | 576,462           |
| D599                                    | 0                 | 1,129,150         |
| Upgrade of Upper Main Road - Trust Feed | 1,732,141         | 0                 |
| Tarring of Thokoane Road                | 1,850,348         | 0                 |
| uMshwathi Ridge                         | 3,853,399         | 0                 |
| Construction of Kwantanji Rd            | 0                 | 95,844            |
| Internal Roads                          | 1,547,062         | 0                 |
| D1012                                   | 0                 | 450,574           |
| Regraveling of Roads                    | 0                 | 1,063,064         |
| Ndlavenleni Road                        | 1,601,852         | 926,509           |
| Okhalweni Road                          | 0                 | 598,650           |
| Cool Air Bus Route                      | 0                 | 692,724           |
| High Mast Lighting                      | 0                 | 31,132            |
| Electrification                         | 5,879,513         | 3,064,503         |
| Thuthuka Training Centre                | 2,331,443         | 0                 |
| Sports Facilities                       | 1,573,650         | 0                 |
| Community Hall Ward 5                   | 0                 | 219,166           |
| Sxandini Sports Field                   | 0                 | 132,646           |
| Nkwalini Sports Field                   | 0                 | 124,200           |
| New Hanover Sports Field                | 0                 | 17,640            |
| Masijabule Sports Field                 | 0                 | 1,235,919         |
|   | <b>23,568,685</b> | <b>12,150,643</b> |

Zero balances against projects indicate that those project that carried over from 2013 were completed during the 2014 year.

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R

2014  
R

**7 INTANGIBLE ASSETS**

|                                   |                |           |
|-----------------------------------|----------------|-----------|
| Software Licences and LAN Network |                |           |
| Cost: 30 June 2014                | 321,844        | 321,844   |
| Accumulated Amortisation          | (321,844)      | (321,844) |
| Carrying Value 01 July 2014       | 0              | 0         |
| Additions - 2014/15               | 396,421        | 0         |
| Amortisation for the year         | 0              | 0         |
|                                   | <b>396,421</b> | <b>0</b>  |
| Cost: 30 June 2015/2014           | 718,265        | 321,844   |
| Accumulated Amortisation          | (321,844)      | (321,844) |
| Carrying Amount 30 June 2015/2014 | <b>396,421</b> | <b>0</b>  |

The software and network is being amortised over 3 years being its useful life, however it must be noted that fully amortised finance software was being used in the current year. The software is to be replaced in the 2015/2016 financial year.

**8 CONSUMER DEBTORS**

**Balances at 30 June 2015**

|   | Gross<br>balance  | Provision for<br>doubtful debts | Net<br>balance    |
|---|-------------------|---------------------------------|-------------------|
| <b>Receivables from Exchange Transactions</b>     |                   |                                 |                   |
| Service debtors                                   | 3,583,791         | (1,712,459)                     | 1,871,332         |
| Housing   | 523,993           |                                 | 523,993           |
| Sundry (Interest)                                 | 46,947,157        | (9,106,062)                     | 37,841,095        |
|   | <b>51,054,941</b> | <b>(10,818,521)</b>             | <b>40,236,420</b> |
| <b>Receivables from Non-Exchange Transactions</b> |                   |                                 |                   |
| Rates   | 40,411,798        | (3,467,477)                     | 36,944,321        |
| <b>Total</b>                                      | <b>91,466,739</b> | <b>(14,285,998)</b>             | <b>77,180,741</b> |

**Ageing**

|   | ( 0 - 30 days) | 31 - 60 days | 61 - 90 days | 91 - 120<br>days | > 120 days | Total      |
|---|----------------|--------------|--------------|------------------|------------|------------|
| <b>Receivables from Non-Exchange Transactions</b> |                |              |              |                  |            |            |
| Rates   | 3,017,662      | 1,888,849    | 1,693,596    | 1,585,915        | 32,225,776 | 40,411,798 |

**uMSHWATHI LOCAL MUNICIPALITY**

Agriculture  
Commercial  
Government  
Residential

**MSHWATHI LOCAL MUNICIPALITY**

|  | 2015 R | 2014 R |
|--|--------|--------|
| 1. <b>Revenue</b>                        | 100.00 | 100.00 |
| 2. <b>Expenses</b>                       | 85.00  | 85.00  |
| 3. <b>Net Income</b>                     | 15.00  | 15.00  |
| 4. <b>Retained Earnings</b>              | 15.00  | 15.00  |
| 5. <b>Dividends</b>                      | 0.00   | 0.00   |
| 6. <b>Shareholders' Equity</b>           | 15.00  | 15.00  |
| 7. <b>Debt</b>                           | 0.00   | 0.00   |
| 8. <b>Assets</b>                         | 15.00  | 15.00  |
| 9. <b>Liabilities</b>                    | 0.00   | 0.00   |
| 10. <b>Equity</b>                        | 15.00  | 15.00  |
| 11. <b>Income Statement</b>              | 15.00  | 15.00  |
| 12. <b>Balance Sheet</b>                 | 15.00  | 15.00  |
| 13. <b>Statement of Cash Flows</b>       | 15.00  | 15.00  |
| 14. <b>Notes to Financial Statements</b> | 15.00  | 15.00  |
| 15. <b>Other Information</b>             | 15.00  | 15.00  |

**91,466,739**

| Gross balance | Provision for doubtful debts | Net balance |
|---------------|------------------------------|-------------|
|---------------|------------------------------|-------------|

|                   |                     |                   |
|-------------------|---------------------|-------------------|
| 33,362,621        | 0                   | 33,362,621        |
| <b>72,891,950</b> | <b>(11,587,277)</b> | <b>61,304,673</b> |

## Ageing

|    | 0 - 30 days | 31 - 60 days | 61 - 90 days | 91 - 120 days | > 120 days | Total |
|----|-------------|--------------|--------------|---------------|------------|-------|
| 1  | 1           | 1            | 1            | 1             | 1          | 5     |
| 2  | 1           | 1            | 1            | 1             | 1          | 5     |
| 3  | 1           | 1            | 1            | 1             | 1          | 5     |
| 4  | 1           | 1            | 1            | 1             | 1          | 5     |
| 5  | 1           | 1            | 1            | 1             | 1          | 5     |
| 6  | 1           | 1            | 1            | 1             | 1          | 5     |
| 7  | 1           | 1            | 1            | 1             | 1          | 5     |
| 8  | 1           | 1            | 1            | 1             | 1          | 5     |
| 9  | 1           | 1            | 1            | 1             | 1          | 5     |
| 10 | 1           | 1            | 1            | 1             | 1          | 5     |
| 11 | 1           | 1            | 1            | 1             | 1          | 5     |
| 12 | 1           | 1            | 1            | 1             | 1          | 5     |
| 13 | 1           | 1            | 1            | 1             | 1          | 5     |
| 14 | 1           | 1            | 1            | 1             | 1          | 5     |
| 15 | 1           | 1            | 1            | 1             | 1          | 5     |
| 16 | 1           | 1            | 1            | 1             | 1          | 5     |
| 17 | 1           | 1            | 1            | 1             | 1          | 5     |
| 18 | 1           | 1            | 1            | 1             | 1          | 5     |
| 19 | 1           | 1            | 1            | 1             | 1          | 5     |
| 20 | 1           | 1            | 1            | 1             | 1          | 5     |
| 21 | 1           | 1            | 1            | 1             | 1          | 5     |
| 22 | 1           | 1            | 1            | 1             | 1          | 5     |
| 23 | 1           | 1            | 1            | 1             | 1          | 5     |
| 24 | 1           | 1            | 1            | 1             | 1          | 5     |
| 25 | 1           | 1            | 1            | 1             | 1          | 5     |
| 26 | 1           | 1            | 1            | 1             | 1          | 5     |
| 27 | 1           | 1            | 1            | 1             | 1          | 5     |
| 28 | 1           | 1            | 1            | 1             | 1          | 5     |
| 29 | 1           | 1            | 1            | 1             | 1          | 5     |
| 30 | 1           | 1            | 1            | 1             | 1          | 5     |
| 31 | 1           | 1            | 1            | 1             | 1          | 5     |
| 32 | 1           | 1            | 1            | 1             | 1          | 5     |
| 33 | 1           | 1            | 1            | 1             | 1          | 5     |
| 34 | 1           | 1            | 1            | 1             | 1          | 5     |
| 35 | 1           | 1            | 1            | 1             | 1          | 5     |
| 36 | 1           | 1            | 1            | 1             | 1          | 5     |
| 37 | 1           | 1            | 1            | 1             | 1          | 5     |
| 38 | 1           | 1            | 1            | 1             | 1          | 5     |
| 39 | 1           | 1            | 1            | 1             | 1          | 5     |
| 40 | 1           | 1            | 1            | 1             | 1          | 5     |
| 41 | 1           | 1            | 1            | 1             | 1          | 5     |
| 42 | 1           | 1            | 1            | 1             | 1          | 5     |
| 43 | 1           | 1            | 1            | 1             | 1          | 5     |
| 44 | 1           | 1            | 1            | 1             | 1          | 5     |
| 45 | 1           | 1            | 1            | 1             | 1          | 5     |
| 46 | 1           | 1            | 1            | 1             | 1          | 5     |
| 47 | 1           | 1            | 1            | 1             | 1          | 5     |
| 48 | 1           | 1            | 1            | 1             | 1          | 5     |
| 49 | 1           | 1            | 1            | 1             | 1          | 5     |
| 50 | 1           | 1            | 1            | 1             | 1          | 5     |
| 51 | 1           | 1            | 1            | 1             | 1          | 5     |
| 52 | 1           | 1            | 1            | 1             | 1          | 5     |
| 53 | 1           | 1            | 1            | 1             | 1          | 5     |
| 54 | 1           | 1            | 1            | 1             | 1          | 5     |
| 55 | 1           | 1            | 1            | 1             | 1          | 5     |
| 56 | 1           | 1            | 1            | 1             | 1          | 5     |
| 57 | 1           | 1            | 1            | 1             | 1          | 5     |
| 58 | 1           | 1            | 1            | 1             | 1          | 5     |
| 59 | 1           | 1            | 1            | 1             | 1          | 5     |
| 60 | 1           | 1            | 1            | 1             | 1          | 5     |
| 61 | 1           | 1            | 1            | 1             | 1          | 5     |
| 62 | 1           | 1            | 1            | 1             | 1          | 5     |
| 63 | 1           | 1            | 1            | 1             | 1          | 5     |
| 64 | 1           | 1            | 1            | 1             | 1          | 5     |
| 65 | 1           | 1            | 1            | 1             | 1          | 5     |
| 66 | 1           | 1            | 1            | 1             | 1          | 5     |
| 67 | 1           | 1            | 1            | 1             | 1          | 5     |
| 68 | 1           | 1            | 1            | 1             | 1          | 5     |
| 69 | 1           | 1            | 1            | 1             | 1          | 5     |
| 70 | 1           | 1            | 1            | 1             | 1          | 5     |
| 71 | 1           | 1            | 1            | 1             | 1          | 5     |

72,891,951

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
R

**2014**  
R

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arrears. An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. The current provision is considered adequate since the bulk of the debtors are rates debtors and Government Departments. The amount owing by government departments is R 29 736 738. Debtors have not been discounted since interest is charged on arrear balances on a monthly basis.

Impairment loss on debtors is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**9 OTHER DEBTORS**

|   |                  |                  |
|---|------------------|------------------|
| District Municipality                       | 404,245          | 404,244          |
| Thokazane housing                           | 1,438,745        | 1,438,744        |
| Department of Housing                       | 165,332          | 165,332          |
| Debtors: Traffic Fines                      | 22,014           | 17,623           |
| Balance Brought Forward                     | 17,623           | 0                |
| Fines Issued                                | 558,730          | 586,730          |
| Payments Received                           | -65,450          | -41,050          |
| Impairment based on Historical payment rate | -488,889         | -528,057         |
| Accrued Interest                            | 51,793           | 45,414           |
| Unallocated Receipts                        | 0                | 26,022           |
| Other                                       | 443,582          | 446,482          |
| Total other debtors                         | 2,525,710        | 2,543,861        |
| less: Provision for doubtful debts          | 0                | 0                |
|   | <b>2,525,710</b> | <b>2,543,861</b> |

**10 CALL INVESTMENT DEPOSITS**

|                        |                  |                  |
|------------------------|------------------|------------------|
| 32 day/90 day deposits | 5,150,866        | 4,746,605        |
|                        | <b>5,150,866</b> | <b>4,746,605</b> |

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

| <b>Bank</b>             | <b>Account No.</b> | <b>2015<br/>R<br/>Amount</b> | <b>2014<br/>R</b> |
|-------------------------|--------------------|------------------------------|-------------------|
| <b>Standard Nedbank</b> | 0536 -1443-4-14    | 14,449                       | 13,839            |
| Investment 1            | 1461827            | 15,833                       | 15,117            |
| Investment 2            | 0635053            | 17,236                       | 16,456            |
| Investment 3            | 1679521            | 88,350                       | 84,356            |
| <b>FNB</b>              |                    |                              |                   |
| Investment 1            | 62101572081        | 99,793                       | 826,878           |
| Investment 2            | 62101572172        | 108,189                      | 102,935           |
| Call Account            | 62101571710        | 525,828                      | 232,750           |
| Call Account: Housing   | 62214429799        | 66,207                       | 63,854            |
| Call Account            |                    | 605,868                      | 0                 |
| <b>ABSA *</b>           |                    |                              |                   |
| Investment 1            | 20- 66260264       | 3,609,113                    | 3,390,420         |
|                         |                    | <b>5,150,866</b>             | <b>4,746,605</b>  |

\* The ABSA investment is ceded to DBSA as security for the loan taken from the DBSA. (Refer to Appendix "A").

**11 BANK BALANCES AND CASH**

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank

Account number - 62025429232

Cash book balance at beginning of year ( overdrawn )

Cash book balance at end of year

720,580      430,109  
525,731      720,580

Bank statement balance at beginning of year

Bank statement balance at end of year

661,347      380,093  
476,955      661,347

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**12 REVENUE FROM NON EXCHANGE TRANSACTIONS - PROPERTY RATES**

| Actual                        | 2015<br>R            | 2014<br>R            |
|-------------------------------|----------------------|----------------------|
| Agricultural                  | 8,193,052            | 7,405,530            |
| Residential                   | 6,528,793            | 5,901,241            |
| Commercial                    | 3,007,690            | 2,718,589            |
| Public service infrastructure | 7,195,759            | 6,504,098            |
| State                         | 1,515,517            | 1,369,845            |
| Other                         |                      |                      |
| Total assessment rates        | <u>26,440,810</u>    | <u>23,899,302</u>    |
| Gross Rates                   | 76,435,385           | 70,561,738           |
| Rebates                       | (49,994,575)         | (46,662,436)         |
| Net Rates                     | <u>26,440,810</u>    | <u>23,899,302</u>    |
| Valuations as at 01 July 2012 |                      |                      |
| Agricultural                  | 2,522,223,000        | 2,522,223,000        |
| Residential                   | 888,496,000          | 888,496,000          |
| Commercial                    | 261,436,000          | 261,436,000          |
| Public service infrastructure | 1,128,196,000        | 1,128,196,000        |
| State                         | 155,243,000          | 155,243,000          |
| Other                         | 82,963,000           | 82,963,000           |
| Total property valuations     | <u>5,038,557,000</u> | <u>5,038,557,000</u> |

**13 REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES**

|                |                  |                  |
|----------------|------------------|------------------|
| Refuse removal | 1,832,570        | 1,801,290        |
|                | <u>1,832,570</u> | <u>1,801,290</u> |



**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**14 GOVERNMENT GRANTS AND SUBSIDIES**

|                                  | 2015<br>R  | 2014<br>R  |
|----------------------------------|------------|------------|
| Equitable share                  | 69,377,000 | 61,423,000 |
| Conditional grants utilised      |            |            |
| MSIG                             |            |            |
| FMG                              | 38,674,000 | 23,240,000 |
| Provincial Grant: Finance        | 38,674,000 | 23,240,000 |
| Department of Public Works: EPWP |            |            |
| Department of Arts and Culture   | 934,000    | 890,000    |
| Operational Conditional Grants   | 1,800,000  | 1,650,000  |
| MIG                              | 0          | 35,000     |
| Department of Energy             | 1,000,000  | 1,000,000  |
| Capital Conditional Grants       | 811,000    | 777,000    |
| Total Conditional Grants         | 4,545,000  | 4,352,000  |
| Refer Appendix F                 | 31,129,000 | 13,888,000 |
|                                  | 3,000,000  | 5,000,000  |
|                                  | 34,129,000 | 18,888,000 |
|                                  | 38,674,000 | 23,240,000 |

**15 OTHER INCOME**

|                           |         |         |
|---------------------------|---------|---------|
| Fees: Photocopies         | 10,265  | 8,376   |
| Fees: Rates Clearance     | 15,365  | 18,246  |
| Library Fines             | 0       | 0       |
| Interest: Current Account | 39,120  | 39,736  |
| Fees                      | 3,650   | 8,473   |
| Community Hall            | 46,379  | 39,504  |
| Maintenance               | 169,778 | 195,252 |
| Cemetery                  | 2,377   | 4,970   |
| Postal Service            | 0       | 53,075  |
|                           | 286,935 | 367,633 |

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**16 EMPLOYEE RELATED COSTS**

|  | 2015<br>R         | 2014<br>R         |
|--|-------------------|-------------------|
| Employee related costs - salaries and wages                              | 34,084,424        | 27,716,065        |
| Employee related costs - contributions to UIF, pension and medical costs | 6,735,131         | 5,195,617         |
| Travel, vehicle, accommodation, subsistence and other allowances         | 2,453,241         | 1,960,556         |
| Housing benefits and allowances  | 103,031           | 91,860            |
| Overtime payments  | 658,766           | 719,105           |
| Bonus  | 1,731,704         | 1,184,223         |
| Skills Levy/Bargaining Council   | 384,979           | 775,319           |
| <b>Total employee related costs</b>                                      | <b>46,151,277</b> | <b>37,642,745</b> |

There were no loans to employees.

**Included in Employee Related costs:**

**Remuneration of the Municipal Manager**

|                          |                |                |
|--------------------------|----------------|----------------|
| Remuneration - 7 months  | 272,315        | 235,333        |
| Car allowance - 7 months | 211,800        | 48,000         |
|                          | <u>484,115</u> | <u>283,333</u> |

**Remuneration of the Chief Financial Officer**

|  |                |                |
|--|----------------|----------------|
| Annual remuneration                          | 687,788        | 644,057        |
| Acting Allowance (Acting as MM for 7 months) | 0              | 40,833         |
| Bonus  | 15,000         | 15,000         |
| Car allowance                                | 130,174        | 120,000        |
| Contributions to Medical and Pension Funds   | 943            | 943            |
|  | <u>833,905</u> | <u>820,833</u> |

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Remuneration of other managers**  
**30-Jun-2015**

|  | 2015<br>R             | 2014<br>R             |
|--|-----------------------|-----------------------|
| Annual remuneration                          |                       |                       |
| Acting Allowance (Acting as MM for 5 months) |                       |                       |
| Car allowance                                |                       |                       |
| Contributions to Medical and Pension Funds   |                       |                       |
|  | Technical<br>Services | Corporate<br>Services |
|  | Community<br>Services |                       |
|  | 574,530               | 619,382               |
|  | 173,000               | 128,148               |
|  | 0                     | 0                     |
|  | 747,530               | 747,530               |
|  | 800,530               |                       |

**30-Jun-2014**

|  |         |
|--|---------|
| Annual remuneration                        |         |
| Acting Allowance                           |         |
| Bonus                                      |         |
| Car allowance                              |         |
| Contributions to Medical and Pension Funds |         |
|  | 538,000 |
|  | 580,000 |
|  | 0       |
|  | 0       |
|  | 162,000 |
|  | 120,000 |
|  | 0       |
|  | 0       |
|  | 700,000 |
|  | 712,500 |

**17 REMUNERATION OF COUNCILLORS**

|                             |           |           |
|-----------------------------|-----------|-----------|
| Mayor                       |           |           |
| Deputy Mayor                |           |           |
| Speaker                     |           |           |
| Executive committee members |           |           |
| Councillors                 |           |           |
|                             | 739,363   | 698,694   |
|                             | 595,665   | 563,129   |
|                             | 595,665   | 563,129   |
|                             | 951,745   | 901,416   |
|                             | 4,768,899 | 4,639,713 |
|                             | 7,651,337 | 7,366,082 |

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**18 INTEREST PAID**

|                | 2015<br>R        | 2014<br>R        |
|----------------|------------------|------------------|
| External loans | 1,535,321        | 1,794,676        |
| Finance leases | 34,337           | 43,865           |
|                | <u>1,569,658</u> | <u>1,838,541</u> |

**19 OPERATING LEASES - RENTALS: COPIERS**

The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.

Operating Lease Commitments:

- within 1 year
- within 2nd and 5th year inclusive

|  |                |                |
|--|----------------|----------------|
|  | 157,386        | 157,344        |
|  | 170,502        | 314,772        |
|  | <u>327,888</u> | <u>472,116</u> |

**20 CASH GENERATED BY OPERATIONS**

|  |                   |                   |
|--|-------------------|-------------------|
| Surplus for the year                             | 50,910,142        | 36,719,433        |
| Depreciation                                     | 8,323,848         | 6,715,960         |
| Contributions to provisions- non-current         | 3,942,931         | 112,271           |
| Investment income                                | (1,021,014)       | (846,781)         |
| Interest paid                                    | 1,569,658         | 1,838,540         |
| Operating deficit before working capital changes | <u>63,725,566</u> | <u>44,539,423</u> |
| Change in Working Capital                        | (23,765,381)      | (12,980,942)      |
|  | <u>39,960,185</u> | <u>31,558,481</u> |

**21 BANK BALANCES AND CASH**

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

|                        |                |                |
|------------------------|----------------|----------------|
| Cash on Hand           | 2,330          | 2,346          |
| Bank balances and cash | 525,731        | 720,580        |
|                        | <u>528,061</u> | <u>722,926</u> |

**22 RELATED PARTY TRANSACTIONS**

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

22.1 There were no related party transactions in the current year.

**23 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**23.1 Audit fees** 2015 2014  
R R

802,131

932,774

**23.2 VAT**

|  |                  |                  |
|--|------------------|------------------|
| Opening balance                            | 3,789,135        | 1,731,840        |
| Current year output VAT                    | (1,153,798)      | (777,604)        |
| Current year input VAT                     | 6,453,502        | 4,429,099        |
| Amount paid - current year                 |                  |                  |
| Amount refunded by SARS - current          | (2,592,066)      | (1,594,199)      |
| Amount due from SARS - included in debtors | <u>6,496,773</u> | <u>3,789,135</u> |

**23.3 PAYE and UIF**

|   |           |           |
|---|-----------|-----------|
| Current year payroll deductions and Council UIF contributions | 5,962,188 | 5,241,045 |
| Amount paid - current year                                    | 5,962,188 | 5,241,045 |

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**23.4 Pension and medical aid deductions**

Current year payroll deductions and Council contributions  
Amount paid - current year

|  | 2015<br>R | 2014<br>R |
|--|-----------|-----------|
|  | 6,870,328 | 3,957,134 |
|  | 6,870,328 | 3,957,134 |

**23.5 Councillors arrear consumer accounts**

No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2015

**23.6 General Expenses: Detail**

|                               |                     |                   |                   |
|-------------------------------|---------------------|-------------------|-------------------|
| Advertisements                | Contracted Services | 253,027           | 315,850           |
| EAP                           | Contracted Services | 495,220           | 387,799           |
| FBS & FBE                     | Contracted Services | 1,277,662         | 1,209,205         |
| Housing Plan                  | Contracted Services | 142,635           | 199,500           |
| Information Technology        | Contracted Services | 2,646,302         | 2,596,041         |
| Insurance                     | Contracted Services | 333,023           | 262,253           |
| Internal Audit                | Contracted Services | 54,469            | 478,260           |
| LED Projects                  | Contracted Services | 1,292,226         | 895,285           |
| Legal Expenses                | Contracted Services | 61,945            | 65,465            |
| Plant Hire                    | Contracted Services | 268,400           | 53,892            |
| Postage & Stamps              | Contracted Services | 142,694           | 157,115           |
| Pound                         | Contracted Services | 380,250           | 363,360           |
| Refuse Removal                | Contracted Services | 366,242           | 195,553           |
| Rental: Copiers               | Contracted Services | 846,711           | 778,627           |
| Security                      | Contracted Services | 1,274,809         | 1,634,346         |
| Subscriptions                 | Contracted Services | 589,526           | 502,007           |
| Town Planning                 | Contracted Services | 54,869            | 100,725           |
| Training                      | Contracted Services | 1,151,368         | 991,487           |
| Valuation Fees                | Contracted Services | 226,738           | 180,663           |
| <b>Contracted Services</b>    |                     | <b>11,858,116</b> | <b>11,367,433</b> |
| Arts and Culture              |                     | 406,819           | 111,286           |
| Audit Fee: External           |                     | 809,631           | 932,774           |
| Bank Charges                  |                     | 81,899            | 72,890            |
| Bursaries                     |                     | 128,405           | 190,401           |
| Chemicals and Oil Dispersants |                     | 0                 | 1,312             |
| Communication: Budget Process |                     | 146,472           | 187,657           |

**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|                                      | 2015              | 2014              |
|--------------------------------------|-------------------|-------------------|
|                                      | R                 | R                 |
| Conferences & Seminars               | 524,279           | 267,680           |
| Consulting Fees                      | 123,267           | 27,946            |
| Crime Prevention                     | 0                 | 14,050            |
| HIV/AIDS                             | 553,977           | 526,270           |
| Hospitality/Mayor's Outreach Program | 125,890           | 16,930            |
| IDP Review                           | 1,071,005         | 1,060,366         |
| Law Enforcement                      | 32,533            | 60,556            |
| Levy Research                        | 14,500            | 0                 |
| Materials                            | 142,293           | 327,648           |
| Pauper Burials                       | 81,241            | 73,751            |
| Printing and Stationery              | 533,054           | 455,301           |
| Protective Clothing                  | 336,550           | 0                 |
| Purchases: Electricity               | 1,151,882         | 1,095,581         |
| Reference Books and Periodicals      | 4,104             | 0                 |
| Refreshments                         | 194,017           | 162,833           |
| Road Signs                           | 54,604            | 5,932             |
| Senior Citizens                      | 270,030           | 119,376           |
| Small Scale Disasters                | 191,265           | 70,893            |
| Social Empowerment                   | 374,695           | 321,715           |
| Special Projects                     | 258,440           | 498,089           |
| Sports Promotion                     | 914,968           | 887,321           |
| Subsistence and Travelling           | 1,725,307         | 2,043,539         |
| Sundries                             | 13,727            | 11,557            |
| Telephones                           | 1,806,529         | 1,520,393         |
| Tools                                | 113               | 0                 |
| Transport/Vehicle Cost               | 2,019,878         | 1,955,409         |
| Ward Committees                      | 1,004,390         | 791,182           |
| Woman Empowerment                    | 241,161           | 730,635           |
| Workmans Compensation                | 0                 | 700               |
| Youth Desk                           | 190,747           | 340,993           |
| <b>General Expenses</b>              | <b>15,527,671</b> | <b>14,882,967</b> |
| <b>Total</b>                         | <b>27,385,787</b> | <b>26,250,400</b> |

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**23.7 Bank Accounts held by the Municipality**

| Bank                       | Type | A/C No.        | 2015      |           | 2014      |           |
|----------------------------|------|----------------|-----------|-----------|-----------|-----------|
|                            |      |                | Opening   | Closing   | Opening   | Closing   |
| FNB - Primary Bank Account | Chq  | 62025459232    | 661,347   | 476,955   | 380,093   | 661,347   |
| Standard Bank              | Inv  | 0536-1443-4-14 | 13,839    | 14,449    | 13,144    | 13,839    |
| Nedbank                    | Inv  | 1461827        | 15,117    | 15,833    | 14,562    | 15,117    |
| Nedbank                    | Inv  | 0635053        | 16,457    | 17,236    | 15,852    | 16,457    |
| Nedbank                    | Inv  | 1679521        | 84,356    | 88,350    | 81,256    | 84,356    |
| FNB                        | Inv  | 62101572081    | 826,878   | 99,793    | 406,250   | 826,878   |
| FNB                        | Inv  | 62101572172    | 102,935   | 108,189   | 11,072    | 102,935   |
| FNB                        | Inv  | 62101571710    | 232,750   | 525,828   | 1,647,222 | 232,750   |
| FNB                        | Inv  | 62214429799    | 63,854    | 66,207    | 61,907    | 63,854    |
| FNB                        | Inv  | 74491854045    | 0         | 605,868   | 0         | 0         |
| ABSA                       | Inv  | 20-6626-0264   | 3,390,420 | 3,609,113 | 3,221,173 | 3,390,420 |

**24 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:  
- approved and contracted for  
Infrastructure

|                   |                   |
|-------------------|-------------------|
| 16,631,829        | 11,988,616        |
| <b>16,631,829</b> | <b>11,988,616</b> |

This expenditure will be financed from  
Revenue  
Government Grants

|                   |                   |
|-------------------|-------------------|
| 0                 | 1,831,054         |
| 16,631,829        | 10,157,562        |
| <b>16,631,829</b> | <b>11,988,616</b> |



**UMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|  | 2015<br>R         | 2014<br>R         |
|--|-------------------|-------------------|
| - approved but not yet contracted for  |                   |                   |
| Infrastructure                         | 14,424,000        | 17,500,000        |
| Land and buildings                     | 1,000,000         | 7,200,000         |
| Community                              | 12,340,000        | 4,000,000         |
| Plant                                  | 1,500,000         | 2,000,000         |
| Vehicles                               | 2,000,000         | 1,000,000         |
| Furniture and Equipment                | 1,000,000         | 1,000,000         |
|  | <b>32,264,000</b> | <b>32,700,000</b> |
| This expenditure will be financed from |                   |                   |
| Revenue                                | 5,500,000         | 4,002,000         |
| Government Grants                      | 26,764,000        | 28,698,000        |
|  | <b>32,264,000</b> | <b>32,700,000</b> |

**25 RETIREMENT BENEFIT INFORMATION**

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors' Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2010.

|                             |           |           |
|-----------------------------|-----------|-----------|
| Current Year's Contribution | 5,468,937 | 5,468,937 |
|-----------------------------|-----------|-----------|

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015  
R

2014  
R

**25.1 SUPERANNUATION FUND**

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 25.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 25.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
- 25.1.3. the fund was thus 104,3% funded
- 25.1.4. the fund did not hold an investment reserve.
- 25.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 25.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

**25.2 RETIREMENT FUND**

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 25.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- 25.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 25.2.3. the fund was thus 87,7% funded
- 25.2.4. the fund did not hold an investment reserve
- 25.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

**uMSHWATHI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
R

**2014**  
R

**26 CONTINGENT LIABILITIES**

The following cases are still pending involving the municipality:

**Siyabonga Protection**

This is for an objection raised by Siyabonga Protection on the award of a security tender.  
 The matter will be prescribed in the 2014/15 financial year

60,000

**Claridge Rate Payers Objections**

Applicants have claimed that their objections were not dealt with. The matter has been dormant since 25 February 2013

80,000

**140,000**

**27 RISK MANAGEMENT**

The municipality's activities expose it to a variety of financial risks: market risk ( fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

**Liquidity risk**

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

**Interest rate risk**

As the municipality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

## IRREGULAR EXPENDITURE

The following is a list of expenditure for which there was a deviation from the normal SCM process in that three quotations or more were not received although three or more quotations were requested.

| No. | Req./PV | Service/Goods   | Contract Value | Contract Period | Name of Service Provider                     | Memo approved Y/N | Reason for deviation | Comments   |
|-----|---------|---|----------------|-----------------|--|-------------------|----------------------|--|
| 1   | 15186   | Procurement of Speed Camera (Laser Witness) for Traffic Department  | 195,000.00     | Once off        | Truvelo Manufactures (Pty) LTD               | Y                 | Y                    | Only supplier of the camera  |
| 2   | 16030   | Procurement of 200 concrete road signs  | 57,000.00      | Once off        | LG Green                                     | Y                 |                      | Only supplier that could make the similar type of existing signs       |
| 3   | 17711   | 6 X 100m Hoses/pipes, Wheelbarrows, Shovels, 18 X Gloves and 240 X Cements  | 31,382.16      | Once off        | Chivas Business Solution (Pty) LTD           | Y                 | Y                    | Requested three quotes and only two responded                          |
| 4   | 18610   | Renovation of Moyamusha Creche in Ward 11   | 101,450.00     | 3 Months        | Khulani Construction                         | Y                 | Y                    | Open request was sent out and only two responded                       |
| 6   | 19503   | Renovation of Mathulini Hall in Ward 5  | 150,039.00     | 3 Months        | Ezakanyuswa Trading (Pty) LTD                | Y                 | Y                    | Open request was sent out and only two responded                       |
| 7   | 19094   | Renovation of Thokozani Creche in Ward 1  | 99,815.00      | 3 Months        | Ayanda Construction & catering               | Y                 | Y                    | Open request was sent out and only two responded                       |
| 8   | 18704   | Hire of 28 Skips - size 4x7M3   | 196,072.41     | 3 Months        | Wasteman KZN                                 | Y                 | Y                    | Requested three quotes and only two responded                          |
| 9   |         | Conference package for MFMP & Leadership Training for employees   | 339,400.80     | 106 Days        | Albert Falls Guest Lodge & Conference Center | Y                 | Y                    | Quotation were only requested from local suppliers                     |
| 10  | 18932   | Training for 6 Municipal Traffic Officers on Laser Witness Camera   | 21,500.00      | 2 days          | Truvelo Manufactures (Pty) LTD               | Y                 | Y                    | Service provider is the only supplier of the camera                    |
| 11  | 18912   | Catering for 150 people (Rice, Chicken & Beef Curry, 2 X Salads and 100% Fruit Juice)   | 12,000.00      | Once off        | Thulani & Ntoko General Trading              | Y                 | Y                    | Requested two quotes and only one responded                            |
| 12  | 16973   | Re-Design of the uMshwathi Municipality Website   | 20,132.04      |                 | Sigma Info Technology                        | Y                 | Y                    | Sigma IT was company that previously assisted in designing the website |
| 13  | 17676   | 1 x Full Soccer Kits (Navy & White), 1 X Full Soccer Kits Long Sleeve (White & Navy) and 1 X Full Netball Kits (Navy & White) | 12,190.00      | Once off        | Poobie Naidoo's Sports Wholesalers CC        | Y                 | Y                    | The request for the sports kits was given at the last minute           |
| 14  | 17770   | Catering for 140 People for one day (Training for Ward Committee)   | 14,700.00      | Once off        | Okthethkile Trading (Pty) LTD                | Y                 | Y                    | Caerling was split over various caterers over the 5 days               |
| 15  | 17770   | Catering for 140 People for two days (Training for Ward Committee)  | 27,440.00      | Once off        | Impangazitha Trading                         | Y                 | Y                    | Caerling was split over various caterers over the 5 days               |
| 16  | 17770   | Catering for 140 People for two days (Training for Ward Committee)  | 14,000.00      | Once off        | Ichibi Trading & Projects                    | Y                 | Y                    | Caerling was split over various caterers over the 5 days               |

| No. | Req./PV | Service/Goods  | Contract Value | Contract Period | Name of Service Provider                 | Memo approved Y/N | Reason for deviation | Comments  |
|-----|---------|--|----------------|-----------------|--|-------------------|----------------------|---|
| 17  | 18962   | Breakfast for 150 people for 2 Days (Sandwiches, Tea/ Coffee, Scones with Spreads and Juice)             | 15,750.00      | Once off        | Mthiya and Shoji (Pty) LTD               | Y                 | Y                    | The breakfast issue was decided on the day, after we have discovered that some people are taking medication in the morning and therefore we had to request the quote to one supplier. |
| 18  | 18951   | Lunch for 130 People (Rice, Chicken & Beef Curry, 2 X Salads and 100% Fruit Juice)                       | 12,350.00      | Once off        | Mthiya and Shoji (Pty) LTD               | Y                 | Y                    | Quotations were requested from three suppliers and only two responded   |
| 19  | 18834   | Supply of 239 T-Shirts and 500 Foam Caps   | 20,040.00      | Once off        | Laduma Sport                             | Y                 | Y                    | Quotations were requested from three suppliers and only two responded   |
| 20  | 19043   | 13 X Shire Cirsten, 5 X 15mm Plastic Bib Taps and 22mm Plastic Bib Taps and 10 X 15mm CXMM Str Connector | 22,969.29      | Once off        | Drakewoods PNB                           | Y                 | Y                    | Only two suppliers responded as the required items are no long produced.  |
| 21  | 17528   | servicing of air-conditions in all municipal offices   | 28,910.00      | Once off        | Ndumiso Contractors and Air-conditioning | Y                 | Y                    | This was the extension of an previous appointment   |
| 22  | 18510   | Service and Repair 4 gyro mowers   | 26,790.00      | Once off        | K & L Fabrication and Engineering        | Y                 | Y                    | I requested the local supplier to come and service the machines, because that will cut transport costs, because these are big machines.   |
| 23  | 17819   | Catering for Council meeting   | 10,800.00      | Once off        | Mthiya and Shoji (Pty) LTD               | Y                 | Y                    | The amount increased due to change of menu from initial request refer to the new quotation from Mthiya and Shoji  |
| 24  | 904328  | Catering for Imbizo  | 28,500.00      | Once off        | Chili Trading                            | Y                 | Y                    | Catering awarded to various service providers to spread the work  |
| 25  | 904329  | Catering for Imbizo  | 28,500.00      | Once off        | Umumbo Trading                           | Y                 | Y                    |   |
| 26  | 904330  | Catering for Imbizo  | 28,500.00      | Once off        | Kagazilakhe                              | Y                 | Y                    |   |
| 27  | 904331  | Catering for Imbizo  | 28,500.00      | Once off        | Ayanda Construction & catering           | Y                 | Y                    |   |
| 28  | 904332  | Catering for Imbizo  | 28,500.00      | Once off        | Sikhulasonke Developemnt                 | Y                 | Y                    |   |
| 29  | 904355  | Catering for Imbizo  | 28,500.00      | Once off        | Khithikile Trading                       | Y                 | Y                    | Use of Local supplier   |
| 30  | 903061  | Catering for Imbizo  | 19,500.00      | Once off        | Mzukuwa Trading                          | Y                 | Y                    |   |
| 31  | 903075  | Catering   | 2,000.00       | Once off        | Uzungihole Trading                       | Y                 | Y                    |   |
| 32  | 902776  | Accommodation  | 2,100.00       | Once off        | Hilton Hotel                             | Y                 | Y                    | Accommodation Close to Venue of Event   |
| 33  | 904015  | Hall Décor   | 3,000.00       | Once off        | Ngcobo's Décor                           | Y                 | Y                    | Use of Local supplier   |
| 34  | 904358  | Seedlings  | 7,000.00       | Once off        | Ntombikajubhele                          | Y                 | Y                    | Only Local Supplier   |
| 35  | 904343  | VIP Tent and Catering  | 7,300.00       | Once off        | Coastal Beauty                           | Y                 | Y                    | Local Supplier  |
| 36  | 904028  | Sound System   | 8,400.00       | Once off        | Amaqadi                                  | Y                 | Y                    | Last minute visit by Minister   |

| No. | Req./PV | Service/Goods                   | Contract Value      | Contract Period | Name of Service Provider | Memo approved Y/N | Reason for deviation | Comments                           |
|-----|---------|---------------------------------|---------------------|-----------------|--------------------------|-------------------|----------------------|------------------------------------|
| 37  | 904484  | Assistance in Finalising IDP    | 30,000.00           | Once off        | Ocean Crest              | Y                 | Y                    | Appointed through District         |
| 38  | 902873  | Accommodation                   | 20,700.00           | Once off        | Falling Feather Inn      | Y                 | Y                    | Closest venue to place of training |
| 39  | 903311  | Ward Committee Training         | 188,000.00          | Once off        | Akhindalo Trading        | Y                 | Y                    | Declaration of Interest not signed |
| 40  |         | Extension of Masibambisane Hall | 1,050,029.00        | Once off        | Morning Dew Trading      | Y                 | Y                    | Expired BBBEE certificate          |
|     |         |                                 | <b>2,938,759.70</b> |                 |                          |                   |                      |                                    |

#### UNAUTHORISED OR FRUITLESS AND WASTEFUL EXPENDITURE

There were no Unauthorised or Fruitless and Wasteful Expenditure.

Note 29

Reconciliation of Actual and Budget Information

| Details                  | Original Budget    | Adjustments (\$ 28) | Final Budget       | Actual             | Unauthorised Expenditure | Variance           | Actual as % of Final Budget | Actual as % of Original Budget |
|--------------------------|--------------------|---------------------|--------------------|--------------------|--------------------------|--------------------|-----------------------------|--------------------------------|
| <b>Revenue</b>           |                    |                     |                    |                    |                          |                    |                             |                                |
| Property Rates           | 21,500,000         | 4,000,000           | 25,500,000         | 26,440,810         |                          | 940,810            | 1                           | 1                              |
| Service Charges          | 1,950,000          | (100,000)           | 1,850,000          | 1,832,570          |                          | (17,430)           | 1                           | 1                              |
| Investment Revenue       | 800,000            | (50,000)            | 750,000            | 1,021,014          |                          | 271,014            | 1                           | 1                              |
| Grants: Operational      | 73,922,000         | 0                   | 73,922,000         | 73,922,000         |                          | 0                  | 1                           | 1                              |
| Other Revenue            | 39,805,000         | 9,661,000           | 49,466,000         | 51,812,966         |                          | 2,346,966          | 1                           | 1                              |
|                          | <b>137,977,000</b> | <b>13,511,000</b>   | <b>151,488,000</b> | <b>155,029,360</b> | <b>0</b>                 | <b>3,541,360</b>   | <b>5</b>                    | <b>6</b>                       |
| <b>Expenditure</b>       |                    |                     |                    |                    |                          |                    |                             |                                |
| Employee Costs           | 43,076,000         | 5,790,000           | 48,866,000         | 46,151,277         |                          | (2,714,723)        | 1                           | 1                              |
| Councillor Allowances    | 8,020,000          | 0                   | 8,020,000          | 7,651,337          |                          | (368,663)          | 1                           | 1                              |
| Depreciation             | 9,000,000          | (500,000)           | 8,500,000          | 8,323,848          |                          | (176,152)          | 1                           | 1                              |
| Interest Paid            | 2,750,000          | 0                   | 2,750,000          | 1,569,658          |                          | (1,180,342)        | 1                           | 1                              |
| Repairs and Maintenance  | 13,480,000         | 0                   | 13,480,000         | 9,094,379          |                          | (4,385,621)        | 1                           | 1                              |
| Other Expenditure        | 28,753,000         | 1,740,000           | 30,493,000         | 27,385,787         |                          | (3,107,213)        | 1                           | 1                              |
| Contribution to Reserves | 200,000            | 1,050,000           | 1,250,000          | 3,942,932          |                          | 2,692,932          | 3                           | 20                             |
| Contribution to Capital  | 32,698,000         | (32,698,000)        | 0                  |                    |                          | 0                  |                             |                                |
|                          | <b>137,977,000</b> | <b>(24,618,000)</b> | <b>113,359,000</b> | <b>104,119,218</b> | <b>0</b>                 | <b>(9,239,782)</b> | <b>8</b>                    | <b>25</b>                      |

Surplus/Deficit

0 38,129,000 38,129,000 50,910,142 0 12,781,142

Capital Funding Recognised (Included in Other Revenue)

34,129,000 Budgeted Surplus 38,129,000

Internal Funding for Capex

2,909,826

Total Capex

37,038,826

APPENDIX A (Not Audited)  
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2015

| EXTERNAL LOANS              | Loan Number | Interest rate     | Redeemable | Balance at 30-Jun-13 | Received during the year | Redeemed or written off during the year | Balance at 30-Jun-14 |
|-----------------------------|-------------|-------------------|------------|----------------------|--------------------------|---|----------------------|
| ANNUITY LOAN                |             |                   |            | R                    | R                        | R                                       | R                    |
| FIRST NATIONAL BANK         | 2           | Prime less 1,00 % | 3/31/2018  | 6,559,033            | 0                        | 1,099,587                               | 5,459,446            |
| DEVELOPMENT BANK            | 1           | 9,4 %             | 4/30/2020  | 10,483,397           | 0                        | 2,278,288                               | 8,205,109            |
|                             |             |                   |            |                      |                          |   |                      |
|                             |             |                   |            |                      |                          |   |                      |
|                             |             |                   |            |                      |                          |   |                      |
|                             |             |                   |            |                      |                          |   |                      |
| <b>TOTAL EXTERNAL LOANS</b> |             |                   |            | <b>17,042,430</b>    | <b>0</b>                 | <b>3,377,876</b>                        | <b>13,664,554</b>    |

**Note:**  
The investment with ABSA Bank (as per note 11) is ceded to DBSA as security for the loan taken.



APPENDIX B (Not Audited)  
uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2015

|                                    | Cost/ Revaluation  |                   |                    | Accumulated Depreciation |                    |                   | Carrying Value | Budget Additions 2015 |
|------------------------------------|--------------------|-------------------|--------------------|--------------------------|--------------------|-------------------|----------------|-----------------------|
|                                    | Opening Balance    | Additions         | Under Construction | Disposal                 | Closing Balance    | Opening Balance   | Disposals      | Closing Balance       |
| <b>Land and Buildings</b>          |                    |                   |                    |                          |                    |                   |                |                       |
| Land                               | 12,857,994         |                   |                    |                          | 12,857,994         | 825,953           |                | 825,953               |
| Buildings                          | 60,093,916         | 5,762,902         | 3,905,093          |                          | 69,761,910         | 10,832,523        |                | 13,421,933            |
|                                    | 72,951,911         | 5,762,902         | 3,905,093          | 0                        | 82,619,905         | 11,658,476        | 0              | 14,247,886            |
| <b>Infrastructure</b>              |                    |                   |                    |                          |                    |                   |                |                       |
| Electrification reticulation       | 13,983,180         |                   | 5,879,513          |                          | 19,862,692         | 0                 |                | 0                     |
| Sewer reticulation                 | 0                  |                   |                    |                          | 0                  | 0                 |                | 0                     |
| Construction works                 | 85,321,939         | 4,711,923         | 13,784,080         |                          | 103,817,942        | 32,131,476        |                | 35,943,112            |
|                                    | 99,305,118         | 4,711,923         | 19,663,593         | 0                        | 123,680,634        | 32,131,476        | 0              | 35,943,112            |
| <b>Other Assets</b>                |                    |                   |                    |                          |                    |                   |                |                       |
| Office and computer equipment      | 2,641,996          | 904,195           |                    |                          | 3,546,191          | 1,564,729         |                | 2,010,704             |
| Furniture and fittings             | 2,390,024          | 726,974           |                    |                          | 3,116,998          | 973,448           |                | 1,282,708             |
| Tools                              | 71,889             |                   |                    |                          | 71,889             | 68,257            |                | 68,257                |
| Motor vehicles and major equipment | 6,743,894          | 850,020           |                    |                          | 7,593,914          | 2,900,926         |                | 3,950,788             |
| Machinery                          | 818,111            | 117,706           |                    |                          | 935,817            | 524,588           |                | 642,294               |
| Air conditioners                   | 138,920            |                   |                    |                          | 138,920            | 78,658            |                | 78,658                |
| Other                              | 138,018            |                   |                    |                          | 138,018            | 137,718           |                | 137,718               |
|                                    | 12,942,851         | 2,598,895         | 0                  | 0                        | 15,541,746         | 6,248,324         | 0              | 8,171,127             |
| <b>Total</b>                       | <b>185,199,880</b> | <b>13,073,719</b> | <b>23,568,685</b>  | <b>0</b>                 | <b>221,842,285</b> | <b>50,038,277</b> | <b>0</b>       | <b>58,362,125</b>     |
| <b>Intangible Assets</b>           |                    |                   |                    |                          |                    |                   |                |                       |
| Computer Software                  | 321,844            | 396,421           |                    |                          | 718,265            | 321,844           |                | 321,844               |
| <b>Total</b>                       | <b>185,521,724</b> | <b>13,470,141</b> | <b>23,568,685</b>  | <b>0</b>                 | <b>222,560,550</b> | <b>50,360,121</b> | <b>0</b>       | <b>58,683,969</b>     |
|                                    |                    |                   |                    |                          |                    |                   |                | <b>163,480,160</b>    |

APPENDIX C (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2015

|                             | Cost/ Revaluation  |                   |                    |          | Accumulated Depreciation |           |                   | Carrying Value     |
|-----------------------------|--------------------|-------------------|--------------------|----------|--------------------------|-----------|-------------------|--------------------|
|                             | Opening Balance    | Additions         | Under Construction | Disposal | Closing Balance          | Disposals | Closing Balance   |                    |
| Executive and Council       | 27,415,871         | 850,020           |                    |          | 28,265,891               |           | 3,735,441         | 24,530,450         |
| Finance and Admin           | 18,708,989         | 1,748,874         |                    |          | 20,457,863               |           | 6,042,563         | 14,415,300         |
| Health                      | 72,820             |                   |                    |          | 72,820                   |           | 72,819            | 1                  |
| Community & Social Services | 46,771,003         | 5,762,902         | 9,784,605          |          | 62,318,510               |           | 12,599,247        | 49,719,263         |
| Public Safety               | 852,806            |                   |                    |          | 852,806                  |           | 527,040           | 325,766            |
| Waste Management            | 2,257,827          |                   |                    |          | 2,257,827                |           | 82,806            | 2,175,021          |
| Road Transport              | 87,753,996         | 4,711,923         | 13,784,080         |          | 106,249,999              |           | 34,167,541        | 72,082,458         |
| Other                       | 1,366,569          |                   |                    |          | 1,366,569                |           | 1,134,668         | 231,901            |
|                             | <b>185,199,380</b> | <b>13,073,719</b> | <b>23,568,685</b>  | <b>0</b> | <b>221,842,285</b>       | <b>0</b>  | <b>58,362,125</b> | <b>163,480,160</b> |
| Intangible Assets           | 321,844            | 396,421           |                    |          | 718,265                  |           | 321,844           | 396,421            |
|                             | <b>185,521,724</b> | <b>13,470,141</b> | <b>23,568,685</b>  | <b>0</b> | <b>222,560,550</b>       | <b>0</b>  | <b>58,683,969</b> | <b>163,876,581</b> |

APPENDIX D (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2015

|                             | 2015                  |                            |                            | 2014                  |                            |                            |
|-----------------------------|-----------------------|----------------------------|----------------------------|-----------------------|----------------------------|----------------------------|
|                             | Actual<br>Income<br>R | Actual<br>Expenditure<br>R | Surplus/<br>(Deficit)<br>R | Actual<br>Income<br>R | Actual<br>Expenditure<br>R | Surplus/<br>(Deficit)<br>R |
| Executive and Council       | 74,333,931            | 28,170,666                 | 46,163,264                 | 65,991,566            | 23,125,286                 | 42,866,280                 |
| Finance and Admin           | 41,998,412            | 38,389,209                 | 3,609,204                  | 34,309,245            | 31,579,768                 | 2,729,477                  |
| Community & Social Services | 52,411                | 10,741,442                 | (10,689,031)               | 2,460,620             | 8,604,159                  | (6,143,539)                |
| Public Safety               | 67,465                | 2,774,354                  | (2,706,890)                | 58,673                | 2,087,491                  | (2,028,818)                |
| Waste Management            | 1,832,570             | 639,373                    | 1,193,196                  | 1,801,290             | 266,047                    | 1,535,244                  |
| Road Transport              | 36,744,572            | 23,404,174                 | 13,340,398                 | 19,083,252            | 21,322,463                 | (2,239,211)                |
| <b>Sub - total</b>          | <b>155,029,360</b>    | <b>104,119,218</b>         | <b>50,910,142</b>          | <b>123,704,647</b>    | <b>86,985,214</b>          | <b>36,719,433</b>          |

UNISWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

APPENDIX E (1) (Not Audited)

| REVENUE   | 2015<br>Actual<br>R           | 2015<br>Budget<br>R           | 2015<br>Variance<br>R           | 2015<br>Variance<br>%          | Explanation of significant variances  |
|---|-------------------------------|-------------------------------|---------------------------------|--------------------------------|---|
| Property rates  | 26,440,810                    | 25,500,000                    | 940,810                         | 4%                             |   |
| Property rates - penalties imposed and collection charges | 1,700,128                     | 1,600,000                     | 100,128                         | 6%                             | The large increase is due to the increase in rates debtors.   |
| Service charges   | 1,832,570                     | 1,850,000                     | (17,430)                        | -1%                            |   |
| Rental of facilities and equipment                        | 388,016                       | 280,000                       | 118,016                         | 42%                            | There was an increase in tenants taking up space at the Thrusong Centre   |
| Interest earned - external investments                    | 1,021,014                     | 750,000                       | 271,014                         | 36%                            | Grant funds were invested for a longer period and the municipality received an additional 5.4 million rand for the MIG allocation |
| Interest earned - outstanding debtors                     | 12,781,975                    | 11,000,000                    | 1,781,975                       | 16%                            | The large increase is due to the increase in debtors.   |
| Fines   | 71,119                        | 101,000                       | (29,881)                        | -30%                           | This is as result of non payment of traffic fines however this is a slight increase from the previous year.                       |
| Income for agency services                                | 2,445,793                     | 2,100,000                     | 345,793                         | 16%                            | There is a steady increase in the intake of learner licences and driver licence renewals  |
| Government grants and subsidies                           | 73,922,000                    | 73,922,000                    | 0                               | 0%                             |   |
| Other income  | 266,935                       | 256,000                       | 30,935                          | 12%                            | There was a major increase in hall hiring, interest on current account, Planning  |
| DoE Funding   | 3,000,000                     | 3,000,000                     | 0                               | 0%                             | applications and once off service requests  |
| MIG Funds   | 31,129,000                    | 31,129,000                    | 0                               | 0%                             |   |
| <b>Total Revenue</b>                                      | <b>155,029,360</b>            | <b>151,488,000</b>            | <b>3,541,360</b>                | <b>2</b>                       |   |
| <b>EXPENDITURE</b>  | <b>2,015<br/>Actual<br/>R</b> | <b>2,015<br/>Budget<br/>R</b> | <b>2,015<br/>Variance<br/>R</b> | <b>2015<br/>Variance<br/>%</b> |   |
| Employee related costs                                    | 46,151,277                    | 48,866,000                    | (2,714,723)                     | (6)                            |   |
| Remuneration of Councillors                               | 7,651,337                     | 8,020,000                     | (368,663)                       | (5)                            |   |
| Collection costs  | 0                             | 200,000                       | (200,000)                       | (100)                          | Debt collection is being done inhouse   |
| Depreciation  | 8,323,848                     | 8,500,000                     | (176,152)                       | (2)                            | The budget for depreciation was over estimated.   |
| Repairs and maintenance                                   | 9,094,379                     | 13,480,000                    | (4,385,621)                     | (33)                           | Maintenance work budgeted for the current year was not completed and carried over to the next financial year                      |
| Interest paid   | 1,569,658                     | 2,750,000                     | (1,180,342)                     | (43)                           | The budget for finance charges also included the repayment of capital   |
| Contracted services                                       | 11,858,116                    | 13,037,000                    | (1,178,884)                     | (9)                            |   |
| General expenses  | 15,527,671                    | 18,006,000                    | (2,478,329)                     | (14)                           | Certain expenditure that was budgeted for were not incurred.  |
| Contribution to Reserves                                  | 3,942,931                     | 500,000                       | 3,442,931                       | 689                            | The leave reserve was increased to provide for the maximum leave days staff are allowed to encash.                                |
| Capital Contribution                                      | 0                             | 0                             | 0                               |                                |   |
| <b>Total Expenditure</b>                                  | <b>104,119,218</b>            | <b>113,359,000</b>            | <b>(9,239,782)</b>              | <b>(8)</b>                     |   |
| <b>Surplus (Deficit) for the year</b>                     | <b>50,910,142</b>             | <b>38,129,000</b>             | <b>12,781,142</b>               |                                |   |

APPENDIX E ( 2 ) (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2015

|                                | 2015<br>Actual<br>R | 2015<br>Under<br>Construction<br>R | 2015<br>Total<br>Additions<br>R | 2015<br>Budget<br>R | 2015<br>Variance<br>R | 2015<br>Variance<br>% | Explanation of significant variances   |
|--------------------------------|---------------------|------------------------------------|---------------------------------|---------------------|-----------------------|-----------------------|--|
| Infrastructure                 |                     | 5,879,513                          | 5,879,513                       | 3,000,000           | 2,879,513             |                       | Carry over projects from 2014 were completed in the current year.  |
| Construction works             | 4,711,923           | 13,784,080                         | 18,496,003                      | 22,470,000          | (3,973,997)           | (18)                  | Certain projects carried over from 2014 were completed in the current year and delays in projects due to objections and appeals on certain agendas |
|                                | 4,711,923           | 19,663,593                         | 24,375,516                      | 25,470,000          | -1,094,484            |                       |  |
| <b>Community Assets</b>        |                     |                                    |                                 |                     |                       |                       |  |
| Buildings                      | 5,762,902           | 3,905,093                          | 9,667,994                       | 13,020,000          | (3,352,006)           | (26)                  | There was a delay in the implementation of some of the projects  |
|                                | 5,762,902           | 3,905,093                          | 9,667,994                       | 13,020,000          | -3,352,006            |                       |  |
| <b>Other Assets</b>            |                     |                                    |                                 |                     |                       |                       |  |
| Office and accounting machines | 904,195             | 0                                  | 904,195                         | 500,000             | 404,195               | 81                    | Additional computer equipment was required required for new appointments and the Finance server had to be replaced                                 |
| Furniture and fittings         | 726,974             | 0                                  | 726,974                         | 500,000             | 226,974               |                       | New furniture was needed for various offices and the Thusong Centre  |
| Machinery                      | 117,706             | 0                                  | 117,706                         | 2,000,000           | (1,882,294)           | (94)                  | The purchase of the grader was put on hold   |
| Vehicles                       | 850,020             | 0                                  | 850,020                         | 1,000,000           | (149,980)             | (15)                  |  |
|                                | 2,598,895           | 0                                  | 2,598,895                       | 4,000,000           | (1,401,105)           |                       |  |
| <b>Total</b>                   | <b>13,073,719</b>   | <b>23,568,685</b>                  | <b>36,642,405</b>               | <b>42,490,000</b>   | <b>(5,847,595)</b>    | <b>(14)</b>           |  |

APPENDIX F to Annual Financial Statements as at 30 June 2015 (Not Audited)

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

| Description                      | Name of organ of State     | Unspent balance at 1 July 2014 | Received 2014/15 | Expenditure 2014/15 | Transfer 2014/15 | Unspent balance at 30 June 2014 | Compliance with grant conditions | Conditions of Grant                                   |
|----------------------------------|----------------------------|--------------------------------|------------------|---------------------|------------------|---------------------------------|----------------------------------|---|
|                                  |                            | R                              | R                | R                   | R                | R                               | YES/NO                           |   |
| MIG                              | National Government        | 0                              | 31,129,000       | (31,129,000)        | 0                | 0                               | YES                              | Expenditure to be in terms of projects registered     |
| MSIG                             | National Government        | 0                              | 934,000          | (934,000)           |                  | 0                               | YES                              | Expenditure in terms of Activity Plan submitted       |
| Dept. of Arts & Culture          | Dept. of Arts & Culture    | 0                              | 811,000          | (811,000)           |                  | 0                               | YES                              |   |
| Department of Energy             | Department of Energy       | 0                              | 3,000,000        | (3,000,000)         |                  | 0                               | YES                              |   |
| Department of Public Works: EPWP | Dept of Public Works: EPWP | 0                              | 1,000,000        | (1,000,000)         |                  | 0                               | YES                              |   |
| FMG                              | National Government        | 0                              | 1,800,000        | (1,800,000)         |                  | 0                               | YES                              | Expenditure in terms of Implementation Plan submitted |
|                                  |                            | 0                              | 38,674,000       | (38,674,000)        | 0                | 0                               |                                  |   |